

66TH CONGRESS, } HOUSE OF REPRESENTATIVES. { REPORT
 3d Session. } No. 1139.

EMERGENCY TARIFF LEGISLATION.

DECEMBER 20, 1920.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed.

Mr. FORDNEY, from the Committee on Ways and Means, submitted the following

REPORT.

[To accompany H. R. 15275.]

The Committee on Ways and Means, to whom was referred H. R. 15275, a bill imposing temporary duties upon certain agricultural products, to meet the present emergencies, to provide revenue, and for other purposes, having had the same under consideration, report it back to the House without amendment and recommend the bill do pass.

The legislation herein recommended provides for the following rates of duty:

Wheat, 30 cents per bushel.
 Wheat flour, 20 per cent ad valorem.
 Corn or maize, 15 cents per bushel.
 Beans, 2 cents per pound.
 Peanuts, 3 cents per pound.
 Potatoes, 25 cents per bushel.
 Onions, 45 cents per bushel.
 Rice, uncleaned, 1½ cents per bushel; cleaned, 2 cents per pound.
 Lemons, 1½ cents per pound.
 Peanut oil, 26 cents per gallon.
 Cottonseed, coconut, and soya bean oil, 20 cents per gallon.
 Cattle, 20 per cent ad valorem.
 Sheep, 1 year old, \$2 per head; less than 1 year old, \$1 per head.
 Fresh mutton and lamb, 2½ cents per pound.
 Long staple cotton, 7 cents per pound, with a compensatory duty of 7 cents per pound, in addition to existing rates upon the manufactures thereof.
 Unwashed wool, 15 cents per pound.
 Washed wool, 30 cents per pound.
 Scoured wool, 45 cents per pound, with a compensatory duty of 45 cents per pound in addition to existing duties upon the manufactures of wool.

The life of this act is limited to a period of 10 months.

Information has been received by the committee from many sources of the serious condition confronting agriculturists in general on account of the rapid decline in value of farm products.

Prevailing prices in many instances are far below the farmers' production costs. Your committee has been advised that in many instances the borrowed money secured by live stock far exceeds the value of such live stock in the Chicago markets.

The present serious conditions are attributed in a large degree to importations from abroad. During the month of October, 1919, imports of wheat amounted to 564,756 bushels, and in October of

this year imports were 9,802,103 bushels. It is reported that since December 3, 56,000,000 bushels of foreign wheat has been received at two Lake Superior ports.

In the month of October, 1919, 1,044,719 pounds of mutton and lamb were imported, compared with 27,024,972 pounds in October, 1920.

There is approximately 600,000,000 pounds of wool in storage in the United States, not including the spring clip which begins two months hence. This quantity of wool alone is adequate to supply the wool consumption of the United States for a period of one year.

The potato market of New England is flooded with importations from Canada.

The peanut industry of the South reports that it faces destruction on account of increased importations. During a 10 months' period ending October, 1919, 23,138,696 pounds were imported, compared with 110,788,209 during the corresponding 10 months of this year.

The importations of onions during the past 10 months show an increase of some 300 per cent over the corresponding period of last year.

The committee was furnished information concerning one consignment of lambs to the market which, after deducting freight, commissions, and other charges, netted the raisers but 33 cents per head.

Conditions are steadily growing worse, and unless remedial legislation is enacted at an early date the inevitable result will be the abandonment of many farms and the slaughtering of the live stock thereon and irreparable injury to the agricultural resources of the country.

While the purpose of this bill is to prevent further loss to the agriculturist, it will also produce considerable much-needed revenue. An estimate has been secured from the Government Actuary and is given in detail below. The total for a 12 months' period is \$130,395,586, in lieu of \$4,810,072 under the existing rates. The gain in revenue according to this estimate is approximately \$125,000,000 per annum.

Estimated receipts under H. R. 15275.

[Estimates furnished by the Government Actuary, Treasury Department.]

Article.	Proposed duty.	Estimated imports.	Estimated revenue.	Present revenue.
Wheat.....	30 cents per bushel....	\$7,008,400.00	\$2,109,520.00	\$12,290.00
Wheat flour.....	20 per cent.....		657,900.00	
Corn.....	15 cents per bushel....	9,175,000.00	137,625.00	
Beans.....	2 cents per pound.....	154,588,000.00	3,091,760.00	644,117.00
Peanuts:				
Unshelled.....	3 cents per pound.....	11,418,000.00	642,540.00	42,817.50
Shelled.....	do.....	146,847,000.00	4,405,410.00	1,101,352.50
Potatoes.....	25 cents per bushel....	6,242,000.00	1,560,000.00	7,814.00
Onions.....	40 cents per bushel....	1,967,600.00	787,040.00	393,520.00
Rice:				
Cleaned.....	2 cents per pound.....	145,033,000.00	2,900,660.00	1,450,000.00
Uncleaned.....	1½ cents per pound.....		235,575.00	117,787.50
Flour, meal, and broken rice.....	½ cent per pound.....	2,015,000.00	5,037.50	5,037.50
Unhulled.....	¾ cent per pound.....	9,423,000.00	70,672.50	35,336.26
Lemons.....	1½ cents per pound.....	3,525,000.00	881,250.00	
Oils:				
Peanut.....	26 cents per gallon.....	16,667,000.00	4,333,420.00	1,000,000.00
Cottonseed.....	20 cents per gallon.....	12,397,000.00	2,479,400.00	
Soya bean.....	do.....	1,918,500.00	3,837,000.00	
Cattle.....	30 per cent.....		5,851,500.00	
Sheep.....	\$1.....	102,484.00	102,484.00	
Mutton and lamb.....	2½ cents per pound.....	66,271,700.00	1,656,792.50	
Wool:				
Unwashed.....	15 cents per pound.....	66,000,000.00	9,900,000.00	
Washed.....	30 cents per pound.....	95,000,000.00	28,500,000.00	
Scoured.....	45 cents per pound.....	100,000,000.00	45,000,000.00	
Manufactures of.....	do.....	25,000,000.00	11,250,000.00	
Total.....			130,395,586.50	4,810,072.26

VIEWS OF MR. HENRY T. RAINEY.

This bill has been prepared practically without hearings. A few representatives of the cattle and sheep industries of the West appeared before the committee testifying to lack of markets and deplorable depression in these industries. This was all. No experts have been examined by the committee. The large amount of information compiled by the Tariff Commission was not available at the time the bill was reported out by the committee and is not now available. The bill has been hurriedly prepared practically without consideration. The rates imposed are believed to be absolutely prohibitory. This bill amounts to an embargo in time of peace as to the articles to which it relates. In the history of the world no great commercial nation ever before established or attempted to establish an embargo in time of peace. It will inevitably lead to retaliatory tariffs. All commercial treaties between nations are practically annulled by the war, and to-day new commercial units are in process of formation. Every commercial nation is to-day prepared with the means of real retaliation and there is grave danger that they will quickly respond to the challenge we give them in this bill. There has been no attempt to arrange compensatory duties for manufactured articles.

It might be possible to report out a more hastily prepared, ill-considered bill than this, but up to the present time this has never been accomplished.

The remedy of the party now in power in both Houses of Congress and to remain in power by very large majorities after the 4th of March in all departments of our Government for every economic ill is protection, but this bill is protection run mad. The situation in which we find ourselves now demands other remedies than this. The medicine being now administered will not cure the patient if unfortunately, for the farming industry of the country and other industries, this bill should become a law, but may make matters worse. It is to be hoped that the farming industry and other industries have enough reserve strength to withstand an assault like this.

WE ARE NOW A CREDITOR NATION.

We are now a creditor nation and have become so almost overnight. Before the war we were a debtor nation. The balance of trade in our favor has mounted to unprecedented figures. Our excess of exports of merchandise last year over imports amounted to over \$3,000,000,000. Up to September 1 of this year our excess of exports of merchandise over imports was nearly \$2,000,000,000. Figures for the remaining months of this year are not yet available. The chances are our excess of exports of merchandise on the 1st of January will almost amount this year to \$3,000,000,000; at any rate it will exceed the 1918 amount, and this is not the only balance other nations are

compelled to pay us. They are compelled to pay interest on nearly \$10,000,000,000 we have loaned them. If they had all the gold produced in the world each year with which to pay this annual interest charge they would not have enough gold for that purpose. There are also other balances—credits extended by our merchants. They owe us nearly three-quarters of a billion dollars on account of surplus properties sold them by various branches of the Government, which is not included in the trade balance. There are private debts and municipal debts owing to us which they must pay. Of course, they can only pay in gold or goods. They can not pay in gold and they are not manufacturing at the present time enough goods, and even if they were we propose by this bill to make imports less and less. If we are to remain a creditor nation, and we must do that or suffer now immeasurably financial calamities, we must import more than we export. England always did this while she was the clearing house of the world. The time has come when protection which keeps out importations is no longer the economic remedy for the situation which confronts us. The less our importations become at the present time the greater will be the difference in exchange and it is the exchange differences which affect particularly in this country to-day the producers of foodstuffs.

In the limited time I have to prepare these views it is impossible to discuss the bill at length. I might, however, call attention to a few features of it to show the absurdity of the proposition and the incorrect economic theories upon which it is based and the lack of facts to support it.

CORN.

It is proposed to impose a tariff on corn so high that it will exclude corn from the Argentine Republic. In 1914 corn went on the free list and in that year we brought in, nearly all of it from the Argentine Republic, in round numbers 11,000,000 bushels of corn. In 1915 we brought in 9,000,000 bushels of corn nearly all of it from the Argentine Republic. Farmers have learned that importations of corn from the Argentine Republic have nothing to do with the price of corn in this country. We have one county in Illinois, McLean County, which produces every year nearly twice as much corn as we can ever expect to come in from the Argentine Republic and the importations of Argentine corn have always been negligible. This year importations of Argentine corn will be less than the 1914 and 1915 importations. The corn that comes in from the Argentine Republic does not displace a bushel of corn grown in the United States. It is nearly all brought in in tramp steamers from the upper Platte and unloaded at the Edgewater plant of the Corn Products Co. of New York directly from the ship into the plant and is there converted into corn sirup for export and the product is often loaded on the same tramp steamer and sent abroad. This plant of the Corn Products Co. will not be affected by the tariff proposed to be levied in this bill; inasmuch as they export their product they will receive a rebate of practically all the tariff rates they are compelled to pay. Therefore, a tariff on Argentine corn will not bring a dollar into the Treasury of the United States; neither will it keep any Argentine corn out of the country. It is not the remedy corn farmers need, of course. This is merely a gold brick handed to that industry. There are remedies for the

situation which depresses the corn country but the party now in control of Congress and which has been in control of Congress for nearly two years, and which will remain in control of Congress, seems unable to develop any plan that will assist the farming sections of the United States.

CATTLE.

It is proposed to levy a tariff so high as to prevent the importation of live cattle into this country. Importations of live cattle this year will not equal the importations of last year. For the first nine months of this year we imported over 100,000 less cattle than we imported in the same length of time in 1919. Eighty-five per cent of the live cattle we import consists of feeders; the rest of it consists of breeding stock. From the Republican standpoint, it might be logical at the present time to embargo fat cattle, but there are no fat cattle coming in to amount to anything. There is no attempt to impose a tariff on frozen meats of any kind. Of course, the real competition for cattle feeders, as well as for cattle growers, consists in the frozen meats which come in, but there does not seem to be any intention to interfere with the Chicago packers by this bill. They have their plants in the Argentine Republic and can continue to import frozen meats in any quantity, and are doing so. The feeders which come in from Canada come down into the corn-producing sections and help eat up the corn and helps make markets for corn, and, of course, better prices for corn. The situation, therefore, is that in order to please the corn farmers you put a tariff on corn from Argentina which does not come into competition with them at all in this country, but which is only imported for the purpose of being reexported as corn sirup and at the same time keep from the corn farmer the opportunity of selling corn to fatten feeders which may come in from Canada or Mexico, and at the same time you furnish him in this bill with the only real competition he has, to wit, you still permit to come in free the only product which, from the Republican viewpoint, can compete with him at all, to wit, frozen meats for American markets from all sections of the world.

DAIRY PRODUCTS.

Not a thing is attempted to be done for the dairy industry. This industry is closely related to the cattle industry. It has been affected more than any other industry by the loss of foreign markets, and to-day milk and butter are being produced at a loss. There is a complete collapse of the foreign trade in condensed and evaporated milk. In 1919 we exported 852,000,000 pounds of condensed milk. The demoralization of the exchanges which, of course, will be made worse by this bill, has completely stopped the exportations of condensed milk. On the contrary the importations of butter from Denmark have increased by leaps and bounds. In 1919 we exported over 25,000,000 pounds more butter than we imported; while in the first nine months of this year we brought into this country twice as much butter as we have exported. Over twice as much butter was brought into this country, I am advised by an article in the *Prairie Farmer* of December 4, in the month of July alone of this year as was imported in the entire three years 1916, 1917, and 1918. From

the Republican standpoint a tariff on cattle which does not take into consideration the great dairy industry of the country is so badly balanced as to work, for that reason alone, tremendous harm to both industries.

SHEEP.

This bill places a tariff on wool which it is thought will be prohibitory, and it probably will be, but it is done at a time when the woolgrowers insist there are two years' supply on hand, and when large amounts of imported wool are in the warehouses. Most of the wool on hand now is out of the hands of the growers. This bill, therefore, will have the immediate effect of raising the price of the wool which has already been purchased from woolgrowers, and is now ready for distribution among the woolen mills of the country. This bill also places a tariff high enough on live sheep to exclude them from the country, but much lower on the carcasses of sheep. The result will be even, from the Republican viewpoint, unlimited importations of mutton ready for consumption, and no importations of live sheep. Real competition for sheep growers from the Republican viewpoint ought to come from the importations of the carcasses of sheep. It is contended the tariff upon cattle and upon sheep is for the purpose of keeping owners of cows and breeding ewes from throwing these animals on the market, and at the same time it is insisted that the importations of live sheep are for breeding purposes. It is exceedingly difficult from my viewpoint to understand how a tariff which is designed to keep breeding ewes out of the country can also be designed to preserve the breeding stock of the country. And the same query naturally arises as to cattle for breeding purposes.

SWINE.

This bill proposes no relief for the hog-raising sections of the country, and yet in a comparatively short time hogs have decreased in value from \$22 per hundred on the Chicago markets to about \$9 per hundred and they are not to-day paying for the corn they are consuming. No industry is so hard hit by world conditions as the hog industry in the United States. The decrease in value here has been the greatest, and yet we have brought into the country this year up to the present time less than 900 hogs, and, of course, the importation of hogs can not under these circumstances be said to have resulted in the present low prices for hogs, and if the importation of hogs has not resulted in the present low price for hogs, then by what kind of argument can we reach in conclusion that the importations of cattle and sheep have resulted in the present low price for cattle and sheep? I inquired this morning at the principal market here in Washington as to retail prices and I found that mutton chops were selling for 55 cents per pound and pork chops were selling for 35 cents per pound. In the hearings it was seriously insisted that the best use to make of sheep under the advice of a Chicago commission house was to kill them and feed them to hogs and that they were cheaper hog feed than tankage; but the fact remains that in the unbalanced condition of meat distribution in this country lamb chops are selling for nearly twice as much as pork chops. An embargo such as this bill in effect proposes is evidently not the remedy for the conditions under which we suffer to-day.

WHEAT.

At the present time wheat is coming in free from Canada. This is the logical result of the reciprocity propositions of the Taft administration. Our domestic stocks of wheat are being rapidly depleted. There appears to be no large surplus in British India and domestic stocks are declining all over the world. The famine in China will make demands upon international supplies. The proposed prohibitory tariff on wheat will not help the wheat farmers of the winter-wheat section. They have, of course, all disposed of their wheat. It will not help the wheat farmers of the Northwest. Most of them have disposed of their wheat. Most of the importations from Canada have gone to the Minneapolis millers, and they are evidently carrying now a large amount of Canadian wheat. Accepting the Republican viewpoint as correct, we will be only locking the door after the horse has been stolen, and the only important effect of this proposed tariff on wheat may be to put up the price of flour and increase the cost of bread.

Next to England, Canada is the largest customer for American goods. She is also absolutely solvent and can pay, and in spite of the exchange differences which operates against her, she is buying our goods in enormous quantities. The maintenance of friendly trade relations with Canada are especially important. Already in Canada they are talking about an embargo against American goods. This action, if unfortunately this bill should be adopted, will be the last straw and we can expect retaliation in Canada as well as in other sections of the world, and when retaliation comes we can expect many American mills to close. Already our mills are running on reduced time, even the flour mills of Minneapolis are running on about half time at the present time according to recent statements which I have from the Northwestern Miller. In addition to this, wage reductions are proposed in all the cotton and textile industries.

In other words, the purchasing power of that large section of our population which is engaged in producing manufactured goods is about to be impaired by this proposed wage reduction. This wage reduction is being made by mills which are earning from 16 per cent up to 200 per cent on their capital invested. These mills announce that they are running, many of them, on half time on account of lack of orders. In the event of retaliatory action in Canada and Europe, it follows, of course, that orders will be fewer and fewer in number from abroad and we can expect that mills will run fewer and fewer days each week in the future. Farmers are not going to be benefited by a destruction of the purchasing power of wage earners such as this bill will, if it becomes a law, inevitably bring about.

Canadian wheat has always been in competition with American wheat. The price of American wheat on American farms depends upon the amount of wheat we export and its price is fixed abroad. In the markets of Europe American wheat meets, of course, the surplus of Canadian wheat and the price of American wheat on American farms is always fixed by the competitive influence of Canadian wheat in foreign markets.

If it were not for the difference in exchange Canadian wheat would not come here at all, even under free wheat. Canadian wheat is better than ours and commands always a larger price in Winnipeg

than our wheat commands in Minneapolis, and if Canadian imports can be so increased as to restore the exchange value of Canadian money in our markets, Winnipeg would furnish a better market for American wheat than Minneapolis. Free wheat under normal conditions would operate in favor of the American producer, not the Canadian producer; but by shutting off imports from Canada of cattle and wheat you accentuate the difference in exchange and make conditions worse; but there may also come with it a Canadian embargo on American goods, and if this is followed by other countries of the world a greater depression than ever, in all probability, awaits business in this country.

BEANS.

It is proposed in this bill to put a prohibitory tariff on beans—a tariff amounting to an increase of 400 or 500 per cent. The immediate effect of this, of course, will be to enable 60,000 growers of edible beans in California and Michigan to greatly increase the price they get for their products. It is contended that this tariff is being imposed to protect our bean growers from competition with the bean growers in the Orient and yet at the same time we are told in the daily press that 20,000,000 people within the next few months will starve to death in China because there are insufficient supplies there of beans and other foodstuffs. I am unable to discuss this matter at length. Under these facts the logic which makes possible a tariff of this character at this time and for the purpose alleged does not appeal to me. How it can appeal to anyone is beyond my comprehension.

The other items in the bill are as objectionable as the items I have discussed, but in order to get this report printed with the report of the majority of the committee, I can not go into the other questions. The chances are that the report of the majority of the committee will be very short indeed. Under a bill as bad as this, and as destructive as this, to all economic principles and as hard to defend as this, the chances are that whoever prepares the majority report will not venture far from shore in the arguments he advances.

There are methods by which the farming industry of the country can be aided. What the farmer needs first of all are markets abroad to consume his surplus and he has always needed markets abroad for this purpose. He is feeling first of all the effect of the loss of foreign markets. The farmer needs next to markets abroad, which this bill may deprive him of, credits at home.

The revival of the War Finance Corporation (a bill for that purpose has just passed the House) will help. A great corporation with \$100,000,000 capital is now being created in Chicago for the purpose of aiding not only in the matter of establishing credits for farmers, but in the matter of obtaining foreign markets. This bill, if it becomes a law, may have the effect of completely nullifying the good effects which may come from the reestablishment of the War Finance Corporation as well as the good effects which may come from the establishing of the great corporation to which I have referred, now under process of formation in Chicago.

In conclusion, and in order to indicate what the farmer needs most of all, I simply quote from a distinguished Republican with an inter-

national reputation, who stands close to the President elect—Dr. Nicholas Murray Butler, president of Columbia University, a candidate for the Republican nomination for President and very close indeed to the President elect.

[Washington Post, Dec. 18, 1920.]

Dr. Butler believes, he said, that the restoration of the economic equilibrium of Europe, particularly of Germany, and the reestablishment in France of a sense of security are necessary to a solution of domestic problems in the United States. He declared the suggestion that war be made dependent upon a popular referendum overlooked both the psychology of the crowd and the fact that war is not an affair of one nation alone, but of two or more nations.

"It also carries us back," he said, "to the customs of ancient Greece, where the people voted on peace and war and almost uniformly voted for war. Any modern people, lashed into a fury of anger or hate by skillful and clever demagogues in the press or on the platform, would vote for two wars where a responsible representative government would venture to declare one.

RULE OF RIGHT ONLY PROTECTION.

"The notion that wars are forced by governments upon unwilling peoples has no foundation in fact. Nothing is more certain than that the peoples of Germany and Austria would have voted overwhelmingly for the late war, had the question been submitted to them during the last week of July, 1914. Moreover, such a plan would tend to weaken and discredit representative government at a time when it should be strengthened and improved by all possible means. The only protection against war is to extend the rule of right and slowly to educate the peoples that call themselves civilized up to the point where they and their governments consciously prefer the rule of right to the appeal of force."

The New York educator emphasized his views regarding the necessity of solving the economic situation in Europe as a prerequisite to the restoration of normal economic conditions in the United States.

MUST FIX GERMAN INDEMNITY.

"Everybody is wondering why we are fearing a business slump and suggesting all sorts of remedies by legislation and otherwise," he remarked. "The return to normal in this country is almost wholly dependent upon our assisting the people of Europe to their feet. The crux in Europe is that they have not yet fixed the amount of the indemnity Germany must pay. As it is now, France is like a man who has a blank check. It can't be cashed until it is filled in.

"Some persons do not seem to realize that our most important domestic problems and our international problem are two aspects of one and the same thing," he continued. "Quack remedies for the distress of our farmers, cotton planters, and manufacturers will not avail so long as the economic situation remains what it is in Europe, particularly in the countries of central and southeastern Europe.

HAMPERED BY CHAOS IN EUROPE.

"What ails the American farmers, cotton planters, and merchants can not be remedied by acts of Congress, but only by restoring the nations of central and southeastern Europe to a sound economic basis."

The above discussion of this important matter by this distinguished Republican leader ought to have some effect on the majority side of both Houses of the Congress, and hoping that it may have a tendency to lead in the direction of clear thinking on the majority side I have presented it for consideration with this report.

Respectfully submitted.

HENRY T. RAINEY.

